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Rewald's CIA work described

Glowing reports turned to unkept secrets

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The CIA counted the pennies it was spending through Ronald Rewald, but let the Honolulu businessman walk away with priceless secrets about its operations, according to testimony yesterday by former CIA officials.

John C. "Jack" Kindschi, former chief of the CIA's open Honolulu field office, yesterday identified dozens of classified documents detailing his use of Rewald to provide "light" commercial cover and "backstopping" for CIA personnel.

The documents included as many as five sheets of paper recording a single \$14.79 telephone bill for one of the cover companies, H&H Enterprises, part of the total \$2,900 the CIA says it reimbursed Rewald's firm.

"The U.S. government is very fussy about how its money is expended," Kindschi said, "and every penny is accounted for."

But Kindschi did a much less thorough job accounting for Rewald himself, accepting on Rewald's word, charm and a few newspaper clippings Rewald's claims of wealth, business success and athletic prowess.

Others in the CIA apparently shared Kindschi's view, because the agency continued to deal with Rewald, even after it learned Rewald had revealed classified information about cover for clandestine operations to an unauthorized person.

Kindschi, as head of the one-man field office here, was the agency's "contact specialist" handling Rewald for the CIA in Hawaii from 1978 to 1980. When he retired from the CIA, he went to work for Rewald as a consultant and also invested

and lost money in Bishop Baldwin Rewald Dillingham & Wong.

In 1979, CIA headquarters, possibly thinking of expanding its use of Rewald, cabled Kindschi saying the Office of Security wanted Kindschi's "personal assessment" of the man.

Kindschi replied that Rewald was "a winner" in sports and business, a champion pole vaulter and sprinter, professional football player, hang-gliding enthusiast, pilot and scuba diver.

As a businessman, Kindschi wrote, Rewald owned and operated a dozen stores throughout the Midwest, and was the founder of Consolidated Mutual Investment, a company "which managed investment portfolios for Elvis Presley, corporate executives, widows and Hollywood personalities."

"In the short time (two years) he has lived in Hawaii, he has managed to associate his company with three or four of the oldest and most exclusive families in Hawaii," Kindschi wrote, referring to the Bishop, Baldwin and Dillingham names that appeared with Rewald's and Sunny Wong's in Rewald's new company.

How did Kindschi know all these things, he was asked.

"He told me," he said.

In his cable, Kindschi said "we have looked at the subject very closely, especially in the social setting, and we have found that everything that he has told us appears to be true, including scrapbook documentation of his athletic background and sports business in the Midwest. We have also verified his salient character traits through mutual friends and visitors," Kindschi said.

Hundreds of others, including business executives, psychiatrists and others, had formed such a high opinion of Rewald

that they entrusted him with millions of dollars.

Rewald, who has since been accused of spending \$270,000 for "social and sexual intercourse," was, in Kindschi's view, a devoted family man, church-goer and pillar of the community who "sets high standards of moral conduct in his everyday life."

Kindschi testified he was at first suspicious because Rewald was a volunteer, and later because Rewald was so enthusiastic about helping the agency.

But he became convinced that Rewald, who "has never requested financial payment or favors of any kind in return for his efforts," was motivated by patriotism and by "that side of his personality energized by risk-taking, derring-do and achievement."

On another occasion, when headquarters asked for information on Rewald's CMI Corp., Kindschi sent along a copy of the company's own brochure claiming expertise ranging from psychiatry to structured bail-outs, and said Rewald was "extremely dependable."

Eugene J. Welch, Kindschi's predecessor and the man who met Rewald twice and passed him on to Kindschi as a potential volunteer source, yesterday said Kindschi followed normal CIA procedures.

But Welch, in an interview following his own court appearance, said that Rewald's access to the CIA "frightens me. He may as well have been a Soviet agent for the damage he inflicted on the agency."

Welch, who retired only weeks after meeting Rewald for the first time in 1978, said he was speaking specifically "about the destruction of the Honolulu Field Office" in the wake of the Rewald case.

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While the agency itself has suggested it shut the office down this year mainly because it was a small and unproductive outpost, Welch said that when he left in 1978 the office was "producing all the intelligence" which was available from Hawaii, and that the psychological impact of the Rewald affair made the office useless later.

Kindschi testified yesterday he came from the agency's clandestine side, and that Honolulu was his first field office contact with the CIA's overt, public efforts to gain foreign intelligence through volunteer U.S. citizens who might travel abroad or have other foreign contacts.

Rewald was "an eager beaver" who kept volunteering to help, Kindschi said, and seemed the perfect man when headquarters asked in the fall of 1978 for the establishment of a telex and telephone in Honolulu under a company name which operatives in the Far East could use as cover.

Kindschi said he told Rewald to tell no one the true story behind "H&H Enterprises," or the successor, "Canadian Far East Trading Co.," which was set up later when the original cover company began getting calls to a real H&H Enterprises.

Rewald's partner, Sunlin Wong, testified earlier that Rewald set up two extensions on the secret CIA telephone, and told both Wong and secretary Linda Torres about the CIA cover.

Kindschi said he knew nothing of that breach, but did find out in 1979 that Rewald had given the same classified information to another unauthorized person, Bishop Baldwin office manager Sue Wilson.

"The horse was out of the stable, quite frankly, and there wasn't an awful lot that could be done except to inform headquarters and get clearance" for Wilson, Kindschi said.

Kindschi said the cover was "light," not "deep," and wasn't intended to withstand much scrutiny, but to be used as "flash cover" in situations in which an undercover person needed a quick alternate identity. Rewald's job was to answer the secret phone in the name of the bogus company, and confirm that Mr. So-and-so did in fact work there, Kindschi said.

When the cover was dismantled in 1980, Kindschi said, he thought the secret telephone and telex machine were removed from Rewald's office. In fact, an Advertiser reporter found a telephone bearing the number listed to Canadian Far East still in Rewald's office days after Rewald's company collapsed in 1983.

Kindschi said that Rewald in 1979 also provided commercial cover for a Mr. (Charles L. "Rick") Richardson by "hiring" him as a consultant for CMI. Kindschi said his role in that affair was merely to introduce the two men at headquarters request.

Rewald was also asked to provide momentary cover for a "Jane Doe 1" CIA operative, Kindschi said. He said Rewald also was asked if he would meet with a CIA cover officer, John H. Mason, in California in 1979 for some additional CIA business.

Kindschi said he expressed concern a number of times that Rewald and his company were being used for too many activities, a violation of normal security considerations.

That is a concern which Rewald himself later expressed and suggested was the one reason for problems at Bishop Baldwin.